



**Sacramento Natural Foods Cooperative
SERIES B, C & D PREFERRED STOCK PURCHASE AGREEMENT**

THIS Series B, C and D PREFERRED STOCK PURCHASE AGREEMENT (this “Agreement”) is made as of _____, by and between Sacramento Natural Foods Cooperative, a California corporation (the “Cooperative”), and _____, Investor, a resident of the State of California.

RECITALS

A. The Cooperative’s Board of Directors has adopted the Amended and Restated Articles of Incorporation (the “Restated Articles”) in the form attached hereto as **Exhibit 1** establishing the Board of Directors’ right to set the rights, preferences, privileges, and restrictions of the Cooperative’s non-voting Series B, C and D Preferred Stock (the “Series B, C or D Shares”), as specified in the Board Resolution adopted on May 6, 2014 and attached hereto as **Exhibit 2**.

B. The Cooperative desires to sell up to 2,500 shares of Series B Preferred shares to the Investors, and the Investors desire to purchase up to 2,500 shares of Series B Preferred shares from the Cooperative, subject to the terms and conditions set forth in this Agreement.

C. The Cooperative desires to sell up to 1,750 shares of Series C Preferred shares to the Investors, and the Investors desire to purchase up to 1,750 shares of Series C Preferred shares from the Cooperative, subject to the terms and conditions set forth in this Agreement.

D. The Cooperative desires to sell up to 4,000 shares of Series D Preferred shares to the Investors, and the Investors desire to purchase up to 4,000 shares of Series D Preferred shares from the Cooperative, subject to the terms and conditions set forth in this Agreement.

E. The terms of the transactions to be completed through this agreement are set forth in the Memorandum of Terms, attached hereto as **Exhibit 3**, and the Shareholder Disclosure Document, attached hereto as **Exhibit 4**.

THE PARTIES AGREE AS FOLLOWS:

1. Purchase and Sale of Preferred Stock.

1.1. Issuance of Preferred Stock. Subject to the terms and conditions of this Agreement, the Cooperative shall issue and sell to the Investors, and each Investor agrees, severally and not jointly, to purchase from the Cooperative, at the purchase price of \$50.00 per share, an aggregate of up to 2,500 shares of Series B preferred shares (the “B Shares”). Subject to the terms and conditions of this Agreement, the Cooperative shall issue and sell to the Investors, and each Investor agrees, severally and not jointly, to purchase from the Cooperative, at the purchase price of \$500.00 per share, an aggregate of up to 1,750 shares of Series C preferred Shares (the “C Shares”). Subject to the terms and conditions of this Agreement, the Cooperative shall issue and sell to the Investors, and each Investor agrees, severally and not jointly, to purchase from the Cooperative, at the purchase price of \$500.00 per share, an aggregate of up to 4,000 shares of Series D preferred shares (the “D Shares”). The aggregate purchase price to be paid and the number of B, C and D Shares to be purchased by each Investor is set forth opposite the name of each Investor on a register of Investors maintained by the secretary of the cooperative at the cooperative’s business office located at 1900 Alhambra Blvd., Sacramento, CA.

1.2. Final Closing. The Final Closing of the purchase and sale of the B, C and D Shares shall take place at the offices of Sacramento Natural Foods Cooperative, 1900 Alhambra Blvd. Sacramento, CA 95816, on December 31, 2016 at 5:00 pm Pacific Time (the “Closing”).

1.3 Sales of Shares. The Cooperative and each of the Investors agree that all Investors who consummate a purchase and sale of such Investor’s shares of stock prior to the Final Closing shall be deemed an Investor for all purposes hereunder. A purchase and sale of shares shall be consummated when the Cooperative shall deliver to each purchasing Investor a certificate representing the Shares which that Investor is purchasing against delivery to the Cooperative by such Investor, by the Closing, of (a) an executed counterpart of this Agreement and each of the other applicable Transactional Agreements, and (b) the issue price of such Shares by wire transfer or check payable to the Cooperative. Notwithstanding the foregoing, a person shall not be deemed to be an Investor until he or she shall consummate the purchase and sale of his or her shares of Stock as heretofore provided.

2. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

2.1. “Commission” shall mean the Securities and Exchange Commission.

2.2. “Financial Statements” shall mean (a) the Cooperative’s balance sheet as of September 28, 2014 together with the audit report of its independent public accountants, and (b) the Cooperative’s unaudited balance sheet as of May 31, 2015 and its unaudited statements of operations, shareholders’ equity, and cash flows for the eight months then ended.

2.3. “GAAP” shall mean United States generally accepted accounting principles.

2.4. “Material Adverse Event” shall mean any change, event, or effect that (a) is materially adverse to the general affairs, business, operations, assets, condition (financial or otherwise), or results of operations of the Cooperative, or (b) is reasonably foreseeable, has a reasonable likelihood of occurring, and if it were to occur would materially adversely affect the general affairs, business, operations, assets, condition (financial or otherwise), or results of operations of the Cooperative; provided, however, that the following shall not be taken into account in determining a “Material Adverse Event”: (a) any adverse change, event, or effect that is directly attributable to conditions affecting the United States economy generally, unless such conditions adversely affect the Cooperative in a materially disproportionate manner, and (b) any adverse change, event, or effect that is directly attributable to conditions affecting the Cooperative’s industry generally, unless such conditions adversely affect the Cooperative in a materially disproportionate manner. The Cooperative/investors/party asserting that a Material Adverse Event has occurred shall have the burden of proof by a preponderance of the evidence with respect to any dispute regarding whether a change, event, or effect is or is not “directly attributable to” any of the foregoing.

2.5. “Securities Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

3. Representations and Warranties of the Cooperative to Investors. The Cooperative hereby represents and warrants to each Investor that:

3.1. Corporate Organization and Authority. The Cooperative:

(a) is a corporation duly organized, validly existing, authorized to exercise all its corporate powers, rights, and privileges, and in good standing in the State of California;

(b) has the corporate power and corporate authority to own and operate its properties and to carry on its business as now conducted; and

(c) has made available to the Investors copies of all Financial Statements and Transactional Documents.

3.2. Capitalization. The Cooperative’s authorized capital consists of:

(a) Preferred Stock. 3,000,000 shares of Preferred Stock, without par value, of which 4,000 shares are designated as Series B, 3,100 shares are designated as Series C and 5,500 are designated as Series D Preferred Stock (the “Series B, C and D Preferred”), of which 1,500 Series B, 1,350 Series C and 1,500 Series D shares are outstanding before the Final Closing.

(b) Common Stock. 1,000,000 shares of Common Stock, of which 11,145 shares are duly and validly issued as of June 3, 2015.

(c) Other Securities. The Cooperative has reserved: (i) 2,500 shares of Series B, Preferred Shares for issuance under the terms of this Agreement; (ii) 1,750 shares of Series C Preferred Shares for issuance under the terms of this Agreement; and (iii) 4,000 shares of Series D

Preferred Shares for issuance under the terms of this agreement. There are no outstanding rights of first refusal, preemptive rights, or other rights, warrants, options, conversion privileges, subscriptions, or other rights or agreements, either directly or indirectly, to purchase or otherwise acquire or issue any equity securities of the Cooperative.

3.3. Subsidiaries. The Cooperative does not own, have any investment in, or control, directly or indirectly, any Subsidiary. The Cooperative is not a participant in any joint venture or partnership.

3.4. Corporate Power. The Cooperative shall have at the Closing and at each Subsequent Closing all requisite legal and corporate power and authority to execute and deliver the Transactional Agreements, to sell and issue the Shares hereunder, to issue the Common Stock issuable on conversion of the Shares, and to carry out and perform its obligations under the terms of the Transactional Agreements.

3.5. Validity of Shares. The B, C and D Shares, when issued, sold, and delivered in accordance with the terms and for the consideration expressed in this Agreement, shall be duly and validly issued (including, without limitation, issued in compliance with applicable federal and state securities laws), fully paid, and non-assessable. The B, C and D Shares are non-transferable and shall be subject to restrictions on transfer under state and federal securities laws. The B, C and D Shares are not subject to any preemptive rights or rights of first refusal, except as otherwise so agreed to by the holders thereof.

3.6. Financial Statements; Liabilities.

(a) The Cooperative has delivered the Financial Statements to the Investors.

(b) The Financial Statements fairly and accurately present the Cooperative's financial position as of those dates and the results of operations, cash flows, and changes in shareholders' equity for such periods then ended, and have been prepared in accordance with GAAP applied on a consistent basis, subject in the case of interim statements to normal year-end audit, none of which are material.

(c) There are no debts, liabilities, or claims against the Cooperative that are not currently reflected in the Financial Statements, contingent or otherwise, and that are or would be of a nature required to be reflected in a balance sheet prepared in accordance with GAAP, other than (i) liabilities incurred in the ordinary course of business which, individually or in the aggregate, do not constitute a Material Adverse Event; and (ii) liabilities set forth on the balance sheet included in the Financial Statements. The Cooperative has no material liabilities other than those set forth in the Financial Statements and the Schedule of Exceptions. The Cooperative's revenue recognition policies are in accordance with GAAP. The Cooperative maintains a standard system of accounting in accordance with GAAP. The Cooperative's financial reserves are adequate to cover claims incurred.

(d) All of the accounts receivable and notes receivable owing to the Cooperative as of the date of this Agreement constitute valid and enforceable claims arising from bona fide transactions in

the ordinary course of business, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium, or other laws of general application relating to or affecting enforcement of creditors' rights and laws concerning equitable remedies, and there are no known, contingent, or asserted claims, refusals to pay, or other rights of set-off known to the Cooperative against any of such accounts receivable and notes receivable.

3.7. Changes in Condition. Except as specifically set forth in this Agreement, since July 3, 2012:

(a) the Cooperative has not entered into any transaction which was not in the ordinary course of business;

(b) there has been no Material Adverse Event;

(c) the Cooperative has not incurred any material tax liability outside the ordinary course of business;

(d) there has been no resignation or termination of employment of any officer or key employee of the Cooperative, and the Cooperative does not know of any impending resignation or termination of employment of any such officer or key employee that if consummated would constitute a Material Adverse Event;

(e) there has been no labor dispute involving the Cooperative or any of its respective employees and, to the Cooperative's knowledge, none is pending or threatened;

(f) there has been no waiver by the Cooperative of a valuable right or of a debt owing to the Cooperative that would constitute a Material Adverse Event; and

(g) there has not been any satisfaction or discharge of any material lien, claim, or encumbrance or any payment of any material obligation by the Cooperative except in the ordinary course of business.

3.8. Title to Properties; Liens and Encumbrances. The Cooperative has good and marketable title to all of its properties and assets, both real and personal, and has good title to all its leasehold interests, in each case subject to no mortgage, pledge, lien, security interest, conditional sale agreement, encumbrance, or charge, other than (a) the lien of current taxes not yet due and payable, and (b) liens and encumbrances that do not materially detract from the value of the property subject thereto or materially impair the Cooperative's operations.

3.9. Taxes. All federal, state, local, and foreign tax returns required to be filed by the Cooperative have been filed and are true in all material respects, and all taxes, assessments, fees, and other governmental charges on the Cooperative, or on any of its properties, income, or franchises, shown in such returns to be due and payable have been paid, or if any of such tax returns have not been filed or if any such taxes have not been paid or so reserved for, the failure so to file or to pay would not in the aggregate constitute a Material Adverse Event.

3.10. Dividends; Indebtedness. The Cooperative has not declared or paid any dividends or authorized or made any distribution on or with respect to any class or series of its stock or redeemed or purchased or otherwise acquired any of its stock, other than in the ordinary course of business, (ii) made any loans or advances to any person, other than ordinary advances for travel and other normal business expenses, or (iii) sold, exchanged, or otherwise disposed of any of its assets or rights, other than the sale of its inventory in the ordinary course of business.

3.11. Full Disclosure. This share purchase agreement and all other documents delivered by the Cooperative to the Investors, or their attorneys or agents, in connection with the transactions contemplated herein (collectively, the “Documents”) do not contain any untrue statement of a material fact or omit any material fact necessary to make the statements contained in the Documents, in view of the circumstances under which they were made, not misleading, except that, with respect to projections contained in any Document, the Cooperative represents only that such projections were prepared in good faith and the Cooperative reasonably believes that there is a reasonable basis for such projections. The Cooperative has provided each Investor with all the information that such Investor has requested for deciding whether to purchase the Shares. The Cooperative is not aware of any fact that has not been disclosed to the Investors that would constitute a Material Adverse Event with respect to the Cooperative’s business, condition, affairs, or operations.

4. Representations and Warranties of the Investors. Each Investor, severally and not jointly, represents and warrants to the Cooperative as follows:

4.1. Residency. Investor represents and warrants individual or corporate residency in the State of California.

4.2. Authorization. When executed and delivered by the Investor, and assuming execution and delivery by the Cooperative, each of the Transactional Agreements shall constitute a valid obligation of the Investor, enforceable in accordance with its terms.

4.3. Brokers and Finders. The Investor has not retained any investment banker, broker, or finder in connection with the transactions contemplated by this Agreement.

4.4. Investment. This Agreement is made with the Investor in reliance on its representation to the Cooperative, which Investor hereby confirms by the Investor’s execution of this Agreement, that the Shares to be received by the Investor shall be acquired for investment for Investor’s own account, not as a nominee or agent, and not with a view to the sale or distribution of any part thereof, and that the Investor has no present intention of selling, granting any participation in, or otherwise distributing any of the Shares. By executing this Agreement, the Investor further represents that it has no contract, undertaking, agreement, or arrangement with any person to sell, transfer, or grant participation to such person or to any third person, with respect to any of the Shares.

4.5. No Public Market. The Investor understands and acknowledges that the offering of the Shares in accordance with this Agreement shall not be registered under the Securities Act on the grounds that the offering and sale of securities contemplated by this Agreement are exempt from

registration under §4 or §3 of the Securities Act, and that the Cooperative's reliance on such exemption is predicated on Investor's representations as set forth in this Agreement. The Investor further understands that no public market now exists for any of the securities issued by the Cooperative and that the Cooperative has given no assurances that a public market shall ever exist for the Cooperative's securities.

4.6. Experience. The Investor represents that: (i) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Shares; (ii) it believes that it has received all the information that it has requested from the Cooperative and considers necessary or appropriate for deciding whether to obtain the Shares; (iii) it has had the opportunity to discuss the Cooperative's business, management, and financial affairs with the Cooperative's management; (iv) it has the ability to bear the economic risks of its prospective investment; and (v) it is able, without materially impairing its financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss on its investment.

5. Legends. The certificates evidencing the Shares (and any shares of Common Stock issued on conversion of the Shares) shall also bear any legend required by the SEC and the Department of Business Oversight of the State of California as follows:

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED, TRANSFERRED OR PLEDGED TO ANY PERSON OTHER THAN A BONA FIDE RESIDENT OF CALIFORNIA DURING THE PERIOD IN WHICH THESE SECURITIES ARE BEING OFFERED AND SOLD BY THIS CORPORATION AND FOR A PERIOD OF NINE MONTHS FROM THE DATE OF THE LAST SALE BY THE CORPORATION OF SUCH SECURITIES.

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF THE DEPARTMENT OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.

SALE OR TRANSFER OF SHARES IS RESTRICTED ACCORDING TO THE BYLAWS OF THE CORPORATION.

The exemptions for secondary trade available under Corporations Code Section 25104(h) are withheld, but there may be other exemptions to cover private sales by the bona fide owner for his own account without advertising and without being effected by or through a broker dealer in a public offering.

6. Miscellaneous.

6.1. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, excluding those laws that direct the application of the laws of another jurisdiction.

6.2. Headings. The headings of the sections of this Agreement are for convenience and shall not be considered in construing or determining the interpretation of this Agreement.

6.3. Notices. Any notice required or permitted under this Agreement shall be given in writing and shall be conclusively deemed effectively given on personal delivery, or on the first business

day after transmission if sent by confirmed facsimile transmission or electronic mail transmission, or five days after deposit in the United States mail, postage prepaid, addressed (a) if to the Cooperative, as set forth below the Cooperative's name on the signature page of this Agreement, and (b) if to an Investor, at such Investor's address as set forth below such Investor's name on the signature pages of this Agreement, or at such other address as the Cooperative or such Investor may designate by 30 (thirty) days' advance written notice to the Cooperative or the Investor.

6.4. Survival of Representations and Warranties. The representations and warranties of the parties contained in or made under this Agreement shall survive for two (2) years after the execution and delivery of this Agreement and the Closing; provided, however, that such representations and warranties need only be accurate as of the date of such execution and delivery and as of the Closing.

6.5. Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of, or a written instrument signed by the (a) Cooperative and (b) all holders of any particular series of shares. Any amendment or waiver effected in accordance with this Section 6.5 shall be binding on the Cooperative and the Investors and their respective successors and assigns. Notwithstanding the foregoing, the Cooperative may unilaterally amend the register of Investors to add new Investors at Subsequent Closings, as provided in Section 1.3 of this Agreement.

6.6. Expenses. The Cooperative and the Investors shall each bear their respective legal and other fees and expenses with respect to this Agreement and the transactions contemplated hereby.

6.7. Attorney's Fees. If any action at law or in equity (including arbitration) is necessary to enforce or interpret the terms of the Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

6.8. Severability. In case any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6.9. Entire Agreement; Successors and Assigns. This Agreement (and the Exhibits and Transactional Documents) constitutes the entire agreement of the parties with regard to the subject matter hereof and supersedes any and all prior negotiations, correspondence, understandings, and agreements among the parties regarding the subject matter hereof. Subject to the exceptions specifically set forth in this Agreement, the terms and conditions of this Agreement shall inure to the benefit of and be binding on the respective executors, administrators, heirs, successors, and assigns of the parties.

6.10. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.11. Exculpation Among Investors. Each Investor acknowledges that it is not relying on any person or entity, other than the Cooperative and its representatives, in making its investment or decision to invest in the Cooperative. Each Investor agrees that no Investor or the respective controlling persons, officers, directors, partners, members, agents, or employees of any Investor shall be liable to any other Investor for any action taken or omitted to be taken before or after execution of this Agreement by any of them in connection with the purchase of the Shares.

IN WITNESS WHEREOF, the parties hereto have executed this Series B, C and D Preferred Stock Purchase Agreement as of the date first above written.

Cooperative: Sacramento Natural Foods Cooperative, a California corporation

By: _____
Paul Cultrera, General Manager

Joel Erb, President

Steve Maviglio, Secretary

Purchaser: _____

Address: _____

Exhibit A

By this agreement Investor will purchase the following number of shares of Preferred Stock.

Series	Price per share	Number of Shares to be Purchased	Dollar Total
B	\$50.00		
C	\$500.00		
D	\$500.00		

Investor has enclosed a check in the amount of \$_____ to complete this purchase.

Investor's signature: _____

Date of Investment: _____

Investor's name (printed): _____

Investor's Social Security Number: _____

Investor's Address: _____

Investor's Owner Number: _____

Investor's Phone Number: _____

Investor's Email Address: _____